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SUBJECT: CZECH CABINET RESHUFFLE COMPLETED

Classified By: POLEC COUNSELOR CHARLES BLAHA FOR REASONS 1.4 (B) AND (D).

¶1. (C) SUMMARY: On January 23, the Czech President swore in new ministers who will be taking over the health, transportation, regional development, human rights, and legislative affairs portfolios. The Prague castle ceremony completed a protracted and mismanaged cabinet reshuffle, which began after the Topolanek government suffered stunning losses in the October senate and regional elections. Perhaps the most important -- and welcome -- cabinet changes include the departures of the inept and thoroughly discredited Jiri Cunek, Deputy Prime Minister and Minister for Regional Development, and of the Health Minister Tomas Julinek, who was capable but became a political liability after he pushed through highly unpopular reforms of the health care system. The cabinet changes instituted by PM Topolanek are not expected to lead to any policy course corrections and will likely do little to reinvigorate the coalition's original reform agenda. Political and public opposition to reforms, but also the government's preoccupation with the Czech EU presidency and response to the economic crisis, will probably sideline reforms for the remainder of the Topolanek government's term. END SUMMARY.

SOME NEW FACES...

¶2. (C) Among the first announcements PM Topolanek made following the October senate and regional elections was a planned cabinet reshuffle. However, due to the difficulties within his own Civic Democratic Party (ODS), Topolanek procrastinated in announcing the cabinet changes. He missed one self-imposed deadline after another, and made embarrassing mistakes like announcing a new cabinet position of a deputy prime minister for economy, without having a confirmed candidate in mind. When none of those who were offered the job accepted it, PM Topolanek had to scrap the DPM proposal and replace it with the National Economic Council, which is still getting off the ground. Earlier in January, the tortured cabinet reshuffle attempts came close to unraveling the Topolanek coalition when they sparked an internal war in one of the smaller coalition parties, the Christian Democrats (KDU-CSL). Despite these missteps, PM Topolanek was eventually able to announce changes in five ministerial positions. The reshuffle was balanced among each of the three coalition parties: two ODS ministers, two KDU-CSL ministers, and one Green minister changed. However, even with his announcement PM Topolanek managed to do more damage, since Health Minister Julinek (ODS), for example, learned of his dismissal from the media and has complained about this publicly.

¶3. (C) Jiri Cunek's departure is perhaps the most significant change in terms of intra-coalition politics. Cunek, who continues to serve as the KDU-CSL chairman and as a senator, will retain some influence within the Czech government, but most observers expect him to be voted out of

office by KDU-CSL at the party's June 2009 congress. Initially Cunek had no plans to leave the cabinet, and he could have probably survived had he not lost completely the support of his own party. The fact that Cunek was also the target of frequent criticism for his poor leadership of the Regional Development Ministry helped seal his fate. Cunek's two positions -- First Deputy Prime Minister and Minister for Regional Development -- are being taken over by two KDU-CSL stalwarts: Vlasta Parkanova will continue in her present role as Defense Minister, but has also assumed the First Deputy Prime Minister position, which has never been occupied by a woman before; Cyril Svoboda, Minister for Legislative Affairs prior to January 23, took over the regional development portfolio. Both Parkanova and Svoboda have served in previous governments. Parkanova was Minister of Justice in the late 1990s, and Svoboda was Minister of Foreign Affairs and Minister of Interior in the past. Replacing Svoboda as Minister for Legislative Affairs is another KDU-CSL politician, Pavel Svoboda (no relation), who previously served as Deputy Foreign Minister and more recently as the Czech Permanent Representative to the Council of Europe.

¶4. (C) The departure of at least two ODS ministers during the cabinet reshuffle was widely anticipated, but it was not clear whether PM Topolanek would be willing to fire 1) his good friend Ales Rebicek, Minister of Transportation; and 2) one of the few members of the cabinet who have managed to push through meaningful reforms, Health Minister Tomas Julinek. Rebicek, who was generally considered as ineffective and possibly corrupt, had to go in order to make room for Petr Bendl, former governor of the Central Bohemian

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region. Bendl's appointment to the cabinet was purely politically motivated. PM Topolanek had to reward Bendl for helping him win the ODS chairmanship in December 2008. Note: Bendl initially supported Topolanek's rival Pavel Bem, but eventually switched sides and brought to Topolanek valuable support from the powerful Central Bohemian ODS organization. End Note. Topolanek also had to do something to assuage the angry former ODS governors, who were voted en masse out of office in the October regional elections.

¶5. (C) The disastrous results of the October senate and regional elections also forced the departure of Health Minister Julinek. Julinek, a medical doctor, made the mistake of taking the coalition's reform rhetoric seriously. He pushed through reforms of the health care system, and fatefully for himself, patient co-pays for doctor visits and medication prescriptions. The health care co-pays became the top issue for voters in the regional and senate elections, with the vast majority of voters opposed, making Julinek politically radioactive. Even though Julinek had significant support within the ODS, keeping him in the cabinet would have been counterproductive from the political and public relations standpoints. With an eye to these factors, PM Topolanek selected ODS Senator Daniela Filipiova to replace Julinek. Filipiova is a little known -- and therefore noncontroversial -- Prague politician and an architect. Filipiova, who is wheel-chair bound, has worked on the Senate Health Care Committee since 2000 and has also devoted attention to issues of concern to the physically disabled.

¶6. (C) In light of PM Topolanek's decision that the cabinet reshuffle would involve all three coalition parties, the Greens had to select one of their four ministers to take the fall. In the case of the Greens, there really was no other possible choice but Dzamila Stehlikova, Minister for Human Rights and Minorities. Removing one of the other three Green ministers -- DPM and Environment Minister Martin Bursik, Foreign Minister Karel Schwarzenberg, and Education Minister Ondrej Liska -- was out of the question. Stehlikova's performance has been spotty at best, and the November anti-Roma riots in Litvinov and the government response added another blot to her record. Her replacement, Michael Kocab,

who is a musician, has a long history of civic activism, but has little experience with human rights issues per se. Kocab was active in the Civic Forum and served as an advisor to President Havel in the 1990s. In October 2008, he ran unsuccessfully for a Senate seat.

COMMENT: NEW CABINET BUT LITTLE NEW ENERGY

¶7. (C) There is no question that the revamped cabinet was a must for PM Topolanek after the defeats in the October senate and regional elections. It is unclear, however, whether this new cabinet will be more effective and be able to translate this effectiveness into popularity with the public before the June 2009 elections to the Europeans Parliament and the 2010 Czech parliamentary elections. Many Czech political commentators have already buried Topolanek's reform agenda as "dead," and they are probably correct. It is unlikely that the government would undertake any significant -- and probably unpopular -- reforms in light of the October electoral debacle and 18 months before the next parliamentary elections. As we are seeing already, the Czech government will likely remain fully consumed with handling two key priorities: 1) EU Presidency; and 2) economic crisis response. Indeed, it may be that these two priorities offer PM Topolanek and his government a way toward partial political redemption. If they handle both well, they may be able to regain some of the political ground they have been steadily losing over the past two years. Already, we have seen PM Topolanek's popularity jump in public opinion polls thanks to his active approach to the Russia-Ukraine gas crisis. However, successes in leading the EU will be much less important -- when it comes to winning future elections -- than a successful handling of the economic crisis, which is already making itself felt in the Czech Republic. We will be reporting septel on the Czech response to the financial and economic crisis.

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